

**ASSEMBLY BILL**

**No. 2278**

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**Introduced by Assembly Member Aghazarian**

February 21, 2008

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An act to amend Section 99 of the Revenue and Taxation Code, relating to local agencies.

LEGISLATIVE COUNSEL'S DIGEST

AB 2278, as introduced, Aghazarian. Local agencies.

Existing property tax law requires, in the event that a jurisdictional change affects the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located to negotiate any exchange of property tax revenues on behalf of the district or districts.

This bill would authorize a fire protection district, as specified, to negotiate any exchange of property tax revenues on its own behalf when a jurisdictional change occurs that affects its service area or service responsibility.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 99 of the Revenue and Taxation Code is
- 2     amended to read:
- 3     99. (a) For the purposes of the computations required by this
- 4     chapter:
- 5     (1) In the case of a jurisdictional change, other than a city
- 6     incorporation or a formation of a district as defined in Section

1 2215, the auditor shall adjust the allocation of property tax revenue  
2 determined pursuant to Section 96 or 96.1, or the annual tax  
3 increment determined pursuant to Section 96.5, for local agencies  
4 whose service area or service responsibility would be altered by  
5 the jurisdictional change, as determined pursuant to subdivision  
6 (b) or (c).

7 (2) In the case of a city incorporation, the auditor shall assign  
8 the allocation of property tax revenues determined pursuant to  
9 Section 56810 of the Government Code and the adjustments in tax  
10 revenues that may occur pursuant to Section 56815 of the  
11 Government Code to the newly formed city or district and shall  
12 make the adjustment as determined by Section 56810 in the  
13 allocation of property tax revenue determined pursuant to Section  
14 96 or 96.1 for each local agency whose service area or service  
15 responsibilities would be altered by the incorporation.

16 (3) In the case of a formation of a district as defined in Section  
17 2215, the auditor shall assign the allocation of property tax  
18 revenues determined pursuant to Section 56810 of the Government  
19 Code to the district and shall make the adjustment as determined  
20 by Section 56810 in the allocation of property tax revenue  
21 determined pursuant to Section 96 or 96.1 for each local agency  
22 whose service area or service responsibilities would be altered by  
23 the formation.

24 (b) Upon the filing of an application or a resolution pursuant to  
25 the Cortese-Knox-Hertzberg Local Government Reorganization  
26 Act of 2000 (Division 3 (commencing with Section 56000) of Title  
27 5 of the Government Code), but prior to the issuance of a certificate  
28 of filing, the executive officer shall give notice of the filing to the  
29 assessor and auditor of each county within which the territory  
30 subject to the jurisdictional change is located. This notice shall  
31 specify each local agency whose service area or responsibility will  
32 be altered by the jurisdictional change.

33 (1) (A) The county assessor shall provide to the county auditor,  
34 within 30 days of the notice of filing, a report which identifies the  
35 assessed valuations for the territory subject to the jurisdictional  
36 change and the tax rate area or areas in which the territory exists.

37 (B) The auditor shall estimate the amount of property tax  
38 revenue generated within the territory that is the subject of the  
39 jurisdictional change during the current fiscal year.

1 (2) The auditor shall estimate what proportion of the property  
2 tax revenue determined pursuant to paragraph (1) is attributable  
3 to each local agency pursuant to Section 96.1 and Section 96.5.

4 (3) Within 45 days of notice of the filing of an application or  
5 resolution, the auditor shall notify the governing body of each local  
6 agency whose service area or service responsibility will be altered  
7 by the amount of, and allocation factors with respect to, property  
8 tax revenue estimated pursuant to paragraph (2) that is subject to  
9 a negotiated exchange.

10 (4) Upon receipt of the estimates pursuant to paragraph (3) the  
11 local agencies shall commence negotiations to determine the  
12 amount of property tax revenues to be exchanged between and  
13 among the local agencies. This negotiation period shall not exceed  
14 60 days.

15 The exchange may be limited to an exchange of property tax  
16 revenues from the annual tax increment generated in the area  
17 subject to the jurisdictional change and attributable to the local  
18 agencies whose service area or service responsibilities will be  
19 altered by the proposed jurisdictional change. The final exchange  
20 resolution shall specify how the annual tax increment shall be  
21 allocated in future years.

22 (5) (A) In the event that a jurisdictional change would affect  
23 the service area or service responsibility of one or more special  
24 districts, the board of supervisors of the county or counties in which  
25 the districts are located shall, on behalf of the district or districts,  
26 negotiate any exchange of property tax revenues. Prior to entering  
27 into negotiation on behalf of a district for the exchange of property  
28 tax revenue, the board shall consult with the affected district. The  
29 consultation shall include, at a minimum, notification to each  
30 member and executive officer of the district board of the pending  
31 consultation and provision of adequate opportunity to comment  
32 on the negotiation.

33 (B) *Notwithstanding subparagraph (A), a fire protection district*  
34 *organized pursuant to the Fire Protection Law of 1987 (Part 2.7*  
35 *(commencing with Section 13800) of Division 12 of the Health*  
36 *and Safety Code), may negotiate any exchange of property tax*  
37 *revenues on its own behalf.*

38 (6) Notwithstanding any other provision of law, the executive  
39 officer shall not issue a certificate of filing pursuant to Section  
40 56658 of the Government Code until the local agencies included

1 in the property tax revenue exchange negotiation, within the 60-day  
2 negotiation period, present resolutions adopted by each such county  
3 and city whereby each county and city agrees to accept the  
4 exchange of property tax revenues.

5 (7) In the event that the commission modifies the proposal or  
6 its resolution of determination, any local agency whose service  
7 area or service responsibility would be altered by the proposed  
8 jurisdictional change may request, and the executive officer shall  
9 grant, 15 days for the affected agencies, pursuant to paragraph (4)  
10 to renegotiate an exchange of property tax revenues.  
11 Notwithstanding the time period specified in paragraph (4), if the  
12 resolutions required pursuant to paragraph (6) are not presented  
13 to the executive officer within the 15-day period, all proceedings  
14 of the jurisdictional change shall automatically be terminated.

15 (8) In the case of a jurisdictional change that consists of a city's  
16 qualified annexation of unincorporated territory, an exchange of  
17 property tax revenues between the city and the county shall be  
18 determined in accordance with subdivision (e) if that exchange of  
19 revenues is not otherwise determined pursuant to either of the  
20 following:

21 (A) Negotiations completed within the applicable period or  
22 periods as prescribed by this subdivision.

23 (B) A master property tax exchange agreement among those  
24 local agencies, as described in subdivision (d).

25 For purposes of this paragraph, a qualified annexation of  
26 unincorporated territory means an annexation, as so described, for  
27 which an application or a resolution was filed on or after January  
28 1, 1998, and on or before January 1, 2010.

29 (9) No later than the date on which the certificate of completion  
30 of the jurisdictional change is recorded with the county recorder,  
31 the executive officer shall notify the auditor or auditors of the  
32 exchange of property tax revenues and the auditor or auditors shall  
33 make the appropriate adjustments as provided in subdivision (a).

34 (c) Whenever a jurisdictional change is not required to be  
35 reviewed and approved by a local agency formation commission,  
36 the local agencies whose service area or service responsibilities  
37 would be altered by the proposed change, shall give notice to the  
38 State Board of Equalization and the assessor and auditor of each  
39 county within which the territory subject to the jurisdictional  
40 change is located. This notice shall specify each local agency

1 whose service area or responsibility will be altered by the  
2 jurisdictional change and request the auditor and assessor to make  
3 the determinations required pursuant to paragraphs (1) and (2) of  
4 subdivision (b). Upon notification by the auditor of the amount  
5 of, and allocation factors with respect to, property tax subject to  
6 exchange, the local agencies, pursuant to the provisions of  
7 paragraphs (4) and (6) of subdivision (b), shall determine the  
8 amount of property tax revenues to be exchanged between and  
9 among the local agencies. Notwithstanding any other provision of  
10 law, no such jurisdictional change shall become effective until  
11 each county and city included in these negotiations agrees, by  
12 resolution, to accept the negotiated exchange of property tax  
13 revenues. The exchange may be limited to an exchange of property  
14 tax revenue from the annual tax increment generated in the area  
15 subject to the jurisdictional change and attributable to the local  
16 agencies whose service area or service responsibilities will be  
17 altered by the proposed jurisdictional change. The final exchange  
18 resolution shall specify how the annual tax increment shall be  
19 allocated in future years. Upon the adoption of the resolutions  
20 required pursuant to this section, the adopting agencies shall notify  
21 the auditor who shall make the appropriate adjustments as provided  
22 in subdivision (a). Adjustments in property tax allocations made  
23 as the result of a city or library district withdrawing from a county  
24 free library system pursuant to Section 19116 of the Education  
25 Code shall be made pursuant to Section 19116 of the Education  
26 Code, and this subdivision shall not apply.

27 (d) With respect to adjustments in the allocation of property  
28 taxes pursuant to this section, a county and any local agency or  
29 agencies within the county may develop and adopt a master  
30 property tax transfer agreement. The agreement may be revised  
31 from time to time by the parties subject to the agreement.

32 (e) (1) An exchange of property tax revenues that is required  
33 by paragraph (8) of subdivision (b) to be determined pursuant to  
34 this subdivision shall be determined in accordance with all of the  
35 following:

36 (A) The city and the county shall mutually select a third-party  
37 consultant to perform a comprehensive, independent fiscal analysis,  
38 funded in equal portions by the city and the county, that specifies  
39 estimates of all tax revenues that will be derived from the annexed  
40 territory and the costs of city and county services with respect to

1 the annexed territory. The analysis shall be completed within a  
2 period not to exceed 30 days, and shall be based upon the general  
3 plan or adopted plans and policies of the annexing city and the  
4 intended uses for the annexed territory. If, upon the completion of  
5 the analysis period, no exchange of property tax revenues is agreed  
6 upon by the city and the county, subparagraph (B) shall apply.

7 (B) The city and the county shall mutually select a mediator,  
8 funded in equal portions by those agencies, to perform mediation  
9 for a period of not to exceed 30 days. If, upon the completion of  
10 the mediation period, no exchange of property tax revenues is  
11 agreed upon by the city and the county, subparagraph (C) shall  
12 apply.

13 (C) The city and the county shall mutually select an arbitrator,  
14 funded in equal portions by those agencies, to conduct an advisory  
15 arbitration with the city and the county for a period of not to exceed  
16 30 days. At the conclusion of this arbitration period, the city and  
17 the county shall each present to the arbitrator its last and best offer  
18 with respect to the exchange of property tax revenues. The  
19 arbitrator shall select one of the offers and recommend that offer  
20 to the governing bodies of the city and the county. If the governing  
21 body of the city or the county rejects the recommended offer, it  
22 shall do so during a public hearing, and shall, at the conclusion of  
23 that hearing, make written findings of fact as to why the  
24 recommended offer was not accepted.

25 (2) Proceedings under this subdivision shall be concluded no  
26 more than 150 days after the auditor provides the notification  
27 pursuant to paragraph (3) of subdivision (b), unless one of the  
28 periods specified in this subdivision is extended by the mutual  
29 agreement of the city and the county. Notwithstanding any other  
30 provision of law, except for those conditions that are necessary to  
31 implement an exchange of property tax revenues determined  
32 pursuant to this subdivision, the local agency formation  
33 commission shall not impose any fiscal conditions upon a city's  
34 qualified annexation of unincorporated territory that is subject to  
35 this subdivision.

36 (f) Except as otherwise provided in subdivision (g), for the  
37 purpose of determining the amount of property tax to be allocated  
38 in the 1979–80 fiscal year and each fiscal year thereafter for those  
39 local agencies that were affected by a jurisdictional change which  
40 was filed with the State Board of Equalization after January 1,

1 1978, but on or before January 1, 1979. The local agencies shall  
2 determine by resolution the amount of property tax revenues to be  
3 exchanged between and among the affected agencies and notify  
4 the auditor of the determination.

5 (g) For the purpose of determining the amount of property tax  
6 to be allocated in the 1979–80 fiscal year and each fiscal year  
7 thereafter, for a city incorporation that was filed pursuant to  
8 Sections 54900 to 54904 after January 1, 1978, but on or before  
9 January 1, 1979, the amount of property tax revenue considered  
10 to have been received by the jurisdiction for the 1978–79 fiscal  
11 year shall be equal to two-thirds of the amount of property tax  
12 revenue projected in the final local agency formation commission  
13 staff report pertaining to the incorporation multiplied by the  
14 proportion that the total amount of property tax revenue received  
15 by all jurisdictions within the county for the 1978–79 fiscal year  
16 bears to the total amount of property tax revenue received by all  
17 jurisdictions within the county for the 1977–78 fiscal year. Except,  
18 however, in the event that the final commission report did not  
19 specify the amount of property tax revenue projected for that  
20 incorporation, the commission shall by October 10, determine  
21 pursuant to Section 54790.3 of the Government Code the amount  
22 of property tax to be transferred to the city.

23 The provisions of this subdivision shall also apply to the  
24 allocation of property taxes for the 1980–81 fiscal year and each  
25 fiscal year thereafter for incorporations approved by the voters in  
26 June 1979.

27 (h) For the purpose of the computations made pursuant to this  
28 section, in the case of a district formation that was filed pursuant  
29 to Sections 54900 to 54904, inclusive, of the Government Code  
30 after January 1, 1978, but before January 1, 1979, the amount of  
31 property tax to be allocated to the district for the 1979–80 fiscal  
32 year and each fiscal year thereafter shall be determined pursuant  
33 to Section 54790.3 of the Government Code.

34 (i) For the purposes of the computations required by this chapter,  
35 in the case of a jurisdictional change, other than a change requiring  
36 an adjustment by the auditor pursuant to subdivision (a), the auditor  
37 shall adjust the allocation of property tax revenue determined  
38 pursuant to Section 96 or 96.1 or its predecessor section, or the  
39 annual tax increment determined pursuant to Section 96.5 or its  
40 predecessor section, for each local school district, community

1 college district, or county superintendent of schools whose service  
2 area or service responsibility would be altered by the jurisdictional  
3 change, as determined as follows:

4 (1) The governing body of each district, county superintendent  
5 of schools, or county whose service areas or service responsibilities  
6 would be altered by the change shall determine the amount of  
7 property tax revenues to be exchanged between and among the  
8 affected jurisdictions. This determination shall be adopted by each  
9 affected jurisdiction by resolution. For the purpose of negotiation,  
10 the county auditor shall furnish the parties and the county board  
11 of education with an estimate of the property tax revenue subject  
12 to negotiation.

13 (2) In the event that the affected jurisdictions are unable to agree,  
14 within 60 days after the effective date of the jurisdictional change,  
15 and if all the jurisdictions are wholly within one county, the county  
16 board of education shall, by resolution, determine the amount of  
17 property tax revenue to be exchanged. If the jurisdictions are in  
18 more than one county, the State Board of Education shall, by  
19 resolution, within 60 days after the effective date of the  
20 jurisdictional change, determine the amount of property tax to be  
21 exchanged.

22 (3) Upon adoption of any resolution pursuant to this subdivision,  
23 the adopting jurisdictions or State Board of Education shall notify  
24 the county auditor who shall make the appropriate adjustments as  
25 provided in subdivision (a).

26 (j) For purposes of subdivision (i), the annexation by a  
27 community college district of territory within a county not  
28 previously served by a community college district is an alteration  
29 of service area. The community college district and the county  
30 shall negotiate the amount, if any, of property tax revenues to be  
31 exchanged. In these negotiations, there shall be taken into  
32 consideration the amount of revenue received from the timber  
33 yield tax and forest reserve receipts by the community college  
34 district in the area not previously served. In no event shall the  
35 property tax revenue to be exchanged exceed the amount of  
36 property tax revenue collected prior to the annexation for the  
37 purposes of paying tuition expenses of residents enrolled in the  
38 community college district, adjusted each year by the percentage  
39 change in population and the percentage change in the cost of  
40 living, or per capita personal income, whichever is lower, less the



1 amount of revenue received by the community college district in  
2 the annexed area from the timber yield tax and forest reserve  
3 receipts.

4 (k) At any time after a jurisdictional change is effective, any of  
5 the local agencies party to the agreement to exchange property tax  
6 revenue may renegotiate the agreement with respect to the current  
7 fiscal year or subsequent fiscal years, subject to approval by all  
8 local agencies affected by the renegotiation.

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